

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 IGA-02 CIAE-00 COME-00 EB-11

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CIEP-02 OMB-01 AGR-20 PA-03 PRS-01 USIA-12 RSR-01

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R 260920 Z JUN 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 7570

AMCONSUL MEDAN

LIMITED OFFICIAL USE JAKARTA 7632

FOLLOWING MSG SENT ACTION JAKARTA JUNE 23, 1973

NOW PASSED YOUR INFO:

QUOTE:

LIMITED OFFICIAL USE SURABAYA 252

E. O. 11652: N/ A

TAGS: EAGR, ID

SUBJECT: EAST JAVA RICE PROCURMENT

REF: SURABAYA 223

FOLLOWING REPORT FORWARDED FOR EMBASSY/ AID REVIEW AND ONWARD
TRANSMISSION TO DEPARTMENT AND MEDAN, AT EMBASSY DISCRETION.

SUMMARY: EAST JAVA DOLOG OFFICIALS TOLD CONOFF JUNE 22 THEY
EXPECT EAST JAVA RICE PROCUREMENT TOTAL TO BE BETWEEN 250 AND 300
THOUSAND TONS, SIGNIFICANTLY BELOW 400 THOUSAND TARGET SET BY
PROVINCE GOVERNMENT ALTHOUGH HIGHER THAN IN PREVIOUS YEARS.
RECENT PROVINCIAL GOVERNMENT STATEMENTS ON PROCUREMENT TARGETS
HAVE HEDGED SOMEWHAT ON SCHEDULE AND ACHIEVEMENTS, AND PRESS

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CRITICISM OF TARGETS AND PROCEDURES HAS CONTINUED, ALL OF WHICH
SUPPORT DOLOG' S REDUCED ESTIMATE. DOLOG OFFICIALS CITED SOME
HOARDING BY BOTH FARMERS AND PROCESSORS/ TRADERS AS A FACTOR IN
EXPECTED SHORTFALL, BUT ARE MORE OPTIMISTIC ON DEGREE OF

BUUD- PRIVATE SECTOR COOPERATION IN PROCUREMENT PROGRAM, SECOND CROP PROPOSECTS, AND LACK OF SMUGGLED EXPORTS FROM PROVINCE. END SUMMARY.

1. EAST JAVA DOLOG OFFICIAL ACCOMPANIED BY JAKARTA BULOG REP TOLD CONOFF JUNE 22 THAT ON BASIS OF RESULTS TO DATE (WITH HARVEST 60-70 PERCENT COMPLETE) THEY EXPECT EAST JAVA RICE PROCURMENT TOTAL TO BE 250-300 THOUSAND TONS PROCESSED RICE, WELL SHORT OF EARLIER 360 THOUKSAND TARGET AND OF 400 THOUSAND GOAL STILL BEING MENTIONED BY GOVERNOR. IT WOULD BE, HOWEVER, AT LEAST CLOSE TO 1971 PROCURE-
MENT OF 265 THOUSAND TONS AND CONSIDERABLY ABOVE 1972 LEVEL OF 100-PLUS THOUSAND TONS.

2. THOUGH OFFICIALS STRESSED THAT NATIONAL PROCUREMENT CANNOT BE PROJECTED FROM EAST JAVA FIGURES, IF SIMILAR PATTERN HOLDS ELSEWHERE, THEY INDICATED NATIONAL TOTAL WOULD FALL BETWEEN INITIAL 600 THOUSAND AND CURRENT 900 THOUSAND TON FIGURE BUT WOULD BE MUCH CLOSER TO FORMER. (ONLY OTHER EVIDENCE ON THIS SUBJECT AVAILABLE TO CONSULATE IS PRESS REPORTING FROM CENTRAL JAVA WHICH INDICATES THAT PROVINCE NOW SUBSTANTIALLY BEHIND ITS PROCURMENT TARGET).

3. OFFICIALS REPORTED EAST JAVA PROCUREMENT AS OF JUNE 21 STOOD AT 205,000 TONS UNDER CONTRACT (WITH 30- DAY DELIVERY REQUIREMENT), OF WHICH 91,000 TONS ALREADY DELIVERED TO DOLOG. THEY PROFESSED NOT TO UNDERSTAND PROCURMENT FIGURES BEING ANNOUNCED BY EAST JAVA GOVERNOR NOER WHICH THEY CLAIM ARE BASED ON TOTAL STOCK FIGURES REPORTED THROUGH KABUPATEN GOVERNMENTS RATHER THAN PROCUREMENT FIGURES

REFLECTING ACUTAL DOLOG PURCHASES, AND ARE ALSO INCONSISTENT CONCERN-
ING TYPES OF RICE (PADDY, MILLED, ETC.) BEING COUNTED.

4. PROVINCIAL GOVERNMENT STATEMENTS ON PROCUREMENT TARGETS HAVE ALSO BEEN SOMEWHAT CONFUSING OVER PAST TWO WEEKS. PRESS REPORTED JUNE 9 THAT VOVERNOR HAD SET JUNE 15 AS TARGET DATE FOR PROCURMENT OF 200,000 TONS (WHICH GOVERNOR CONFIRMED SAME DAY IN CONVERSATION WITH AMBASSADOR AND CONSUL). IN SPEECH ON JUNE 16, HOWEVER, GOVERNOR REPORTED THAT "175,000 TON TARGET FOR JUNE 15" HAD BEEN EXCEEDED.

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FOG CREATED BY THESE VARIABLE TARGETS WILL PRESUMABLY MAKE IT POSSIBLE FOR GOVERNMENT TO ULTIMATELY CLAIM THAT SOME TARGET WAS REACHED, BUT COMBINATION OF APPARENT JUNE 15 SHORTFALL AND EARLIER STATEMENT BY GOVERNOR THAT FULL 400,00 TARGET SHOULD BE ACHIEVED BY JULY 15 REINFORCES DOLOG OFFICIALS PREDICTION THAT TOP TARGET WILL NOT BE REACHED.

5. BOTH JAKARTA AND LOCAL PRESS HAVE RECENTLY REPORTED CRITICISMS THAT EAST JAVA TARGET TOO HIGH AND PROCURMEMENT MEASURES TOO HARSH ON FARMERS (SEE SURABAYA PRESS SUMMARIES). PROVINCIAL GOVERNMENT OOFFICIALS HAVE REPEATEDLY DENIED CHARGES, BUT PERSISTENCE THESE REPORTS FURTHER EVIDENCE OF DIFFICULTIES BEING ENCOUNTERED IN

PROCUREMENT PROGRAM.

6. AS ONE EXPLANATION FOR EXPECTED SHORTFALL IN OVERALL PROCUREMENT, DOLOG OFFICIALS CITED TENDENCY FOR FARMERS TO HOLD BACK MORE RICE THIS YEAR THAN IN PREVIOUS YEARS, EITHER FOR PERSONAL CONSUMPTION OR FOR FUTURE RELEASE TO MARKET AT EXPECTED HIGH YEAR- END PRICES. SOME HOARDING BY MILLERS AND TRADERS ALSO NOTED. ALTHOUGH MORE THAN A MONTH OF HARVEST SEASON REMAINS IN MOST OF PROVINCE, THEY CLEARLY EXPECT GOVERNMENT PROCUREMENT RATES TO DECLINE SIGNIFICANTLY DURING JULY.

7. DOLOG OFFICIALS REPORTED THAT, OF 91,000 TONS DELIVERED TO EAST JAVA DOLOG, ONLY 20,000 HAS COME FROM NON- BUUD SOURCES CONTRARY TO EARLIER EXPECTATIONS OF 50 PERCENT OR MORE THROUGH NON- BUUD CHANNELS. THEY BELIEVE EXPLANATION IS WIDESPREAD " COOPERATION" BETWEEN BUUDS AND PRIVATE PROCESSORS PERMITTING LATTER TO BE AGENTS OF BUUDS. SINCE GOVERNMENT PAYS BUUDS EQUIVALENT OF VP. 52.50 PER KILOGRAM POLISHED RICE VERSUS RP. 52 TO MILLERS, AND BUUDS ALSO EXEMPT FROM MPO/ MPS TAXES OF RP. .50 PER KILOGRAM (BOTH POLICIES DESIGNED TO GIVE PREFERENCE AND SUPPORT TO BUUDS), COOPERATION PROVIDES BOTH PROCUREMENT

ASSISTANCE TO BUUDS AND FINANCIAL BENEFIT TO PRIVATE MILLERS. SUCH COOPERATION REPORTEDLY PARTICULARLY STRONG IN RICH JEMBER AND BANJUWANGI KABUPATEN WHICH TOGETHER WITH NEIGHBORING LUMADJANG AND PROBOLINGGO KABUPATEN HAVE PROVIDED NEARLY 60 PERCENT OF DOLOG STOCKS THUS FAR.

8. CONCERNING SECOND CROP THIS YEAR, OFFICIALS NOTE THAT FARMERS IN IRRIGATED AREAS ARE PLANTING SECOND CROP AS QUICKLY AS POSSIBLE
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AFTER FIRST CROP HARVESTED. IF RAINS CONTINUE THIS COULD BE MAJOR FACTOR IN AVOIDING DRAMATIC EARLY PRICE RISE IN AUGUST- SEPTEMBER AS OCCURRED LAST YEAR. YIELD RATES OF SECOND CROP, HOWEVER, NOT CONSIDERED LIKELY TO APPROACH THOSE OF FIRST CROP, BECAUSE WITH GOVERNMENT APPARATUS AND TRANSPORTATION FACILITIES COMPLETELY CONCENT-

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RATED ON FIRST - CROP PROCUREMENT, FERTILIZER DISTRIBUTION FOGVRSFHY###
:
EY### APPARENTLY BEING LARGELY NEGLECTED.

9. PROCURED STOCKS REPORTEDLY ARE BEING RAPIDLY MOVED OUT OF PROVINCE FOR IMMEDIATE DISTRIBUTION IN CURRENT SHORTAGE AREAS SUCH AS KALIMANTAN AND NUSATENGGA. 50,000 OF PROCURED 91,000 TONS HAVE ALREADY BEEN SHIPPED OUT IN THIS MANNER. OFFICIALS SAY THIS PATTERN WILL CONTINUE, WITH POSSIBILITY THAT THE APPROXIMATELY 12 0,000 TONS NEEDED FOR DISTRIBUTION IN EAST JAVA LATER IN YEAR WILL BE SUPPLIED FROM LATER IMPORTS.

10. OFFICIALS EXPRESS LITTLE CONCERN ABOUT LOSS OF RICE FROM EAST JAVA THROUGH IXIVATE EXPORTS OVERSEAS. THEY CLAIM SURVEILLANCE OF

MOVEMENT IS SIFFICENT TO LARGELY PREVENT THIS, AND THAT GREATER DIS

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TANCES FROM EAST JAVA TO NATURAL EXPORT POINTS MAKE SUCH PRACTICES
LESS SERIOUS THREAT HERE THAN FOR SULAWESI AND CERTAIN OTHER AREAS.
THEY ACKNOWELDGE, HOWEVER, THAT PROHIBITIONS ON MOVEMENT OF RICE
WITHIN PROVINCE STILL CAUSING SIGNIFICANT BOTTLENECKS AND PRUCE
DIFFERENTIALS, PARTICULARLY FOR CITIES AND POORER RURAL AREAS.
ALTHOUGH GOVERNOR NOER HAS PUBLICLY DENIED ORDERING SUCH RESTRICTIONS

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GIVEN PRESSURE FOR PROCURING KABUPATEN TARGETS DOLOG OFFICIALS
REGARD LOCAL ACTIONS OF THIS SORT AS INEVITABLE AND EXPECT THEY
WILL CONTINUE.
RANDOLPH

UNQUOTE:
GALBRAITH

NOTE BY OCT: ### AS RECEIVED;
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